

EXHIBIT 2
DATE 1-10-07
HB 16,130,151,93

**DNRC REPORT TO EQC
HB22 ADJUDICATION PROGRESS
December 31, 2006**

Claims Examination Progress

- First benchmark 8,000 claims by 12-31-2006
 - Claims examined July 2005 thru **December FY06** **13,202**
 - Claims examined by Purpose
 - o Irrigation 2,597 19%
 - o Stock 7,891 60%
 - o Domestic 1,665 13%
 - o Other 1,049 8%
- 13,202**

Claims remaining to be examined **42,256**
Total Claims examined based on original
remaining 57,000 claims (57,000 – 42,256) = ***14,744**

*1470 claims were examined prior to enactment of HB22

Summary Reports

- Union Creek Summary Report sent to the Water Court May 19, 2005
- Teton Summary Report was sent to the Water Court August 15, 2005
- **Big Hole River Summary Report was sent to the Water Court 10-31-2006**

Decrees

- Teton Basin Decree - Water Court issued on December 29, 2005
 - o 2,500 claim files (over 76,000 documents)
 - o Scanned and viewable on the NRIS website
- Union Creek Decree - Water Court Issued on March 10, 2006
 - o 42 claim files in Certified Case
 - o Scanned and viewable on NRIS website

Basin Status

<u>Active Basins</u>	<u>Estimated Completion</u>
-Missouri R to Sun R	Summary report preparation Mar 2007
-Smith River	Summary report preparation Apr 2007
-Lower Tongue R	Examination in progress Feb 2007
-Two Medicine	Examination in progress June 2007
-Blackfoot River	Examination in progress June 2007
-Missouri R to Marias	Examination Preparation July 2009
-Big Muddy Creek	Examination in progress July 2009
-Red Rock River	Examination in progress Jan 2010
-Beaverhead River	Examination in progress Jan 2010
-Flatwillow Creek	Examination in progress July 2010
-Bitterroot R, E side	Examination in progress Jan 2011
-Marias River	Examination in progress June 2015

District Court Enforcement Actions

- Completed water court assistance on 23 streams 2005 season
- The water court requested 5 additional sources for 2006 season
- DNRC worked on 3 of the 5 (Pipestone, Little Pipestone, and Dry Creek)
- **Automated indexes will be used for 2007 on 20+ streams**

Personnel

- June 2006: Recruited and filled 7 Specialist vacancies.
- 21 positions have turned over since July 2005; nine internal transfers within DNRC

Expenses

For FY06

- Operating costs	\$ 639,320
- Personnel services	<u>\$1,382,274</u>
Total	\$2,021,595
Budget	\$2,037,740

For FY07

- Operating Costs	\$107,432.88
- Personnel services	<u>\$769,428.90</u>
Total	\$876,861.78
Budget	2,106,845

Billing System

- 108,000 bills mailed Dec. 27, 2005 with Jan.31, 2006 payment deadline
- 18,552 2nd Bills mailed March 1, 2006 with payment deadline March 17, 2006
- Estimated revenue generated \$6.2 million
- Revenue received \$5.067 million representing **93,737** invoices paid (in full /or part
- Amounts generated per billing category – see attached table

Appeals

- 5,021 Appeals received to date
 - o 3,076 appeals based on ownership;
 - o 1,911 appeals based on fee calculation
- **199 appeals have been resolved to date (24 denied, 175 resolved with fee correction)**

Ownership Records / Forms Received

- **85,926** Addresses corrected and/or added, though ownership updates (Form 608) since July, 2005
- **15,950** work hrs. dedicated to owner/address cleanup since July 2005

(Form 608) Ownership Updates

(Form 602) Notices of Completion of Groundwater Development (wells 35gpm or less)

Fiscal Year	608 Counts	602 Counts
2007	3236	1846
2006	13998	5948
2005	5414	3453
2004	4780	3053
2003	4616	2869

Database Progress

- The system has been fully tested and is operational
- Contracts to bring database to functionality to date \$357,500
- **Final contract for items in progress \$350,000**
- **Moving database to ITSD in January 2007**

	TASK	Complete	In Progress
PHASE 1			
	Produce accurate, complete and timely decrees		
	Complete data conversion for adjudication	Y	
	Correct conversion error	Y	
	Relocate data to support adjudication functions	Y	
	Develop an error report for adjudication	Y	
	Develop 'Standard' program	Y	
	Develop Summary Report	Y	
	Develop Decree report	Y	
	Develop the associated indexes for the Summary and Decree reports	Y	
	Produce the utilities, forms and reports to support enforcement actions		
	Create and populate the 'Enforceable priority date' field	Y	
	Add X Y coordinates field to the Point of diversion records	Y	
	Add a commissioner number to the point of diversion	Y	
	Add an enforcement number to the point of diversion	Y	
	Create an enforcement form to track enforcement actions	Y	
	Develop water tabulation indexes	Y	
PHASE 2			
	Enhance security and data integrity		
	Lock decreed basins so only the water court can change data	Y	
	Validate TRS to basin	Y	
	Prohibit invalid relationships in the water right screen		Y
	Develop a screen for post decree corrections by the water court	Y	
	Update the users manual		Y
	Automate the ownership update screen	Y	
	Enhance error messaging		Y
	Improve public access		
	Provide better data to NRIS		Y
	Provide more complete data to NRIS		Y
	Develop a standard water right abstract	Y	
	Develop GIS link		
	Develop stand-alone GIS and database capabilities for DNRC		Y
PHASE 3			
	Improve system efficiency		
	Improve water right abstract access by managers, water court and dept staff		
	Develop IT Unit and system plans		Y
	Develop report tools (indexes) for use by dept staff		Y

	Automate Compact reports		Y
	Create public notice process for Change Authorizations	Y	
	Provide an electronic docketing system for the water court		
	Provide interface between database and document imaging (ISD's servers)	Y	
	Modify the 'Source' table in the database for proper sorting	Y	
	Complete the 52 items identified in 2001 for database efficiency		Y
Develop HB22 billing system			
	Add a new field to note 'Irrigation districts for billing purposes'	Y	
	Add a new field to record the number of users	Y	
	Develop the billing program	Y	
	Develop the billing report and data transfer to Dept of Revenue	Y	
	Develop the billing screen to track fees paid, appeals, etc.	Y	